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FISCAL IMPACT STATEMENT

LS 6664

BILL NUMBER: SB 140

NOTE PREPARED: Dec 16, 2002

BILL AMENDED:

SUBJECT: TRF Fund membership and contributions.

FIRST AUTHOR: Sen. Kenley

FIRST SPONSOR:

BILL STATUS: As Introduced

FUNDS AFFECTED: X GENERAL
DEDICATED
FEDERAL

IMPACT: State & Local

Summary of Legislation: This bill requires the Board of Trustees of the Teachers' Retirement Fund (TRF) to assign certain members to TRF's pre-1996 and 1996 Accounts. It specifies the member and employer contributions the TRF board must credit to the pre-1996 and the 1996 Accounts. The bill requires participants in the pre-1996 account who, after June 30, 1995, were hired by another school corporation or institution covered by TRF (or rehired by a prior employer) to become participants in the 1996 Account, but provides that: (1) the member's contributions to the pre-1996 annuity savings account; (2) employer contributions, if any, to the pre-1996 Retirement Allowance Account; and (3) liability for employer contributions based on service credit earned; before the member was hired by another school corporation or institution covered by TRF (or rehired by a prior employer) remain in the pre-1996 Account.

Effective Date: July 1, 2003.

Explanation of State Expenditures: *Summary:* This bill affects the transfer of an estimated \$507.6 M in liabilities for teacher pensions which will have occurred since the inception of the 1996 Account. This estimate is based on the June 30, 2001, Annual Actuarial Valuation Report (showing liabilities of \$381 M) and an estimated additional \$126.6 M in estimated liabilities through June 30, 2003. [Note: The June 30, 2002, report will be available sometime in January of 2003.] For future transfers, any liability will remain in the state-funded Pre-1996 Account, thereby holding harmless the 1996 Account.

Background Information: The 1996 Account has been in existence since 1996. Largely as a result of teachers transferring from one school corporation to another, about \$63.3 M per year in liabilities, on average, has been transferred from the Pre-1996 Account to the 1996 Account. The bill affects the liability for the transfers made since the inception of the 1996 Account.

According to the actuaries for the TRF, the liability for employer contributions at this point is undefined under this proposal. The liabilities could be defined using several different bases, including (1) liability based on accrued benefit and (2) liability based on projected benefit.

Explanation of State Revenues:

Explanation of Local Expenditures: *Summary:* This bill affects the transfer of an estimated \$507.6 M in liabilities for teacher pensions which will have occurred since the inception of the 1996 Account. This estimate is based on the June 30, 2001, Annual Actuarial Valuation Report (showing liabilities of \$381 M) and an estimated additional \$126.6 M in estimated liabilities through June 30, 2003. The \$63.3 M represents the annual average increase of liabilities for the 1996 Account since the inception of the 1996 Account. For future transfers, any liability will remain in the state-funded Pre-1996 Account, thereby holding harmless the school-funded 1996 Account. [The June 30, 2002, report will be available sometime in January of 2003.]

Explanation of Local Revenues:

State Agencies Affected: Teachers' Retirement Fund.

Local Agencies Affected: School corporations.

Information Sources: Mark Johnson of Gabriel Roeder Smith & Co., actuaries for TRF, 1-800-521-0498; Tom Abbett, Controller of TRF, 232-3826.

Fiscal Analyst: James Sperlik, 317-232-9866.